

# **THE IMPACT OF INFLATION ON BAD DEBTS OF FINANCIAL INSTITUTIONS**

*(A CASE STUDY OF UNION BANK PLC, ILORIN)*

BY

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## **CERTIFICATION**

This is to certify that this project work has been written by **ADEDIWURA SHUKURAH TEMITOAFOLABI ABOSEDE GRACE** with Matriculation Number **HND/23/ACC/FT/0209** and has been read and approved as meeting part of requirement for the Award of Higher National Diploma (HND) in the Department of Accountancy, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin, Kwara State

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## **DEDICATION**

This project work is dedicated to **Almighty God**, the omnipotent, omnipresent, and omniscience for His blessing, protection and guidance over me.

## ACKNOWLEDGEMENT

I offer my deepest gratitude to **Almighty God** who has been my rock and source of inspiration throughout this project".

My appreciation goes to my supervisor (**Mr. AbdulAzeez Yahya Olanrewaju**) for his guidance and support through my project. May God almighty bless him and his family. Amen.

I must not fail to appreciate my parent (**Mr. & Mrs. Afolabi**) May God let you live long to reap the fruit of your labour. Amen

My appreciation also goes to all my family and friends, I pray God will continue to bless you all. Amen

Once again I am grateful to God for his mercies, loves and care for the greatest opportunity he gave me to accomplish the task of being a graduate.

## TABLE OF CONTENT

|                                  |          |
|----------------------------------|----------|
| Titles pages                     | i        |
| Certification                    | ii       |
| Dedication                       | iii      |
| Acknowledgment                   | iv       |
| Table of contents                | v        |
| <b>CHAPTER ONE: INTRODUCTION</b> | <b>1</b> |
| 1.1 Background of the study      | 1        |
| 1.2 Statement of the problem     | 3        |
| 1.3 Research question            | 4        |
| 1.4 Objective of the study       | 5        |
| 1.5 Research Hypothesis          | 5        |
| 1.6 Significance of the study    | 5        |
| 1.7 Scope of the study           | 6        |
| 1.8 Limitation of the study      | 6        |
| 1.9 Definition of terms.         | 7        |
| <b>CHAPTER TWO</b>               | <b>8</b> |
| 1.0 Literature review            | 8        |

|       |  |           |
|-------|--|-----------|
| 2.2   | Conceptual framework                       | 8         |
| 2.2.1 | The Concept of Inflation                   | 8         |
| 2.2.2 | Concept of Bad Credit                      | 10        |
| 2.2.3 | Causes of Bad Debts                        | 12        |
| 2.2.4 | Concept of Debts Recovery                  | 14        |
| 2.2.5 | Advantages and Disadvantages of Inflation  | 15        |
| 2.3   | Theoretical framework                      | 16        |
| 2.3.1 | The Classical Quantity Theory of Money     | 16        |
| 2.3.2 | The Keynesian Theory                       | 17        |
| 2.3.3 | Monetarist Theory                          | 17        |
| 2.3.4 | Determinants of Loan Repayment             | 18        |
| 2.4   | Empirical framework                        | 19        |
|       | <b>CHAPTER THREE: RESEARCH METHODOLOGY</b> | <b>26</b> |
| 3.1   | Introduction                               | 26        |
| 3.2   | Design study                               | 26        |
| 3.3   | Source of Data                             | 27        |
| 3.4   | Population of the study                    | 27        |
| 3.5   | Sample size and technique                  | 28        |
| 3.6   | Research Instrument                        | 28        |
| 3.6   | Techniques data analysis                   | 29        |

|   |           |
|---|-----------|
| 3.7 Techniques for data analysis                            | 29        |
| <b>CHAPTER 4: DATA PRESENTATION AND ANALYSIS</b>            | <b>30</b> |
| 4.1 Introduction  | 30        |
| 4.2 Demographic characteristics of respondent               | 32        |
| 4.3 Presentation and analysis of data                       | 35        |
| 4.4 Test of Hypothesis                                      | 38        |
| 4.5 Summary of finding                                      | 43        |
| <b>Chapter Five: Summary, Recommendation and Conclusion</b> | <b>44</b> |
| 5.1 Summary   | 44        |
| 5.2 Conclusion  | 44        |
| 5.3 Recommendation  | 45        |
| Reference   | 46        |
| Questionnaire   | 49        |

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND TO THE STUDY**

Bad debts are usually associated with the function of commercial banks and the incidence of bad debt remain as hold as the essential function itself. Commercial banks like other business entities have one objective of being in business maximize their profit since banking is service industry. (Dyers, 2022).

Commercial bank also strive to give efficient service to their customer at all time to make profit and remain in banking business.

The choice of facilities repayable could be agreed on installment over a good period of time while an over draft is short time which could be involving and required to be made good after one year. An over draft facility is the working capital of the business man. (Nwanko, 2020).

The lending function of the commercial bank can only be accomplished if such commercial, bank are in a position to collect deposit from other lending and the size and mode of lending loan an advice constitute a greater proportion of credit available in the economy, lending therefore, helps to satisfied the legitimate credit needs of the society. Credit like money finds its main function in the production and service in facilitating the exchange of good credit has also help to make possible modern like scale production and wide spread division of labour. (Sadiku, 2019).

Because of the direct impact lending can have any economy, government all over the world usually integrate the activities of banks in to policy formulation. The commercial banks



intermediation ruled in the economy is highlighted in the deposit creation lending of those banks. While the commercial banks collect deposit from those who have surplus funds, the part give out part of this funds to those who required more funds to expand an existing business or established in a new one. (Ajayi, 2020).

The depositor's relationship with their banks is base mainly on their mutual trust while it is known from experience that all depositors can not call for their deposit at the same time commercial bank must always ensure that these are always a find to meet depositors requirement. (Sadiku, 2019).

In addition to the profitability and efficiency objective of commercial bank therefore the needs for sounds liquidity at all time is always emphasized. The liquidity object of commercial banks compelled most commercial to lend on short term basis since most of their deposit is kept over a short period of time the depositor's fund, which form the lenders working capital required prudent management if the working capital is to grow and not depleted. This position explain the reason why commercial banks take time to study business requesting for financial assistance. (Adewumi, 2023).

The bank manger and other officers appointed to give surplus of these credit appraise each proposes thoroughly ensuring their can on of lending which improved purpose and the amount required the sectorial classification of the loan required, the proprietors stake in the business and the security offered. (Aina, 2020).

Experience has shown however that money business that were appraised and which appeared attractive in the past continual of fall in recent years Nigeria now funds herself. Many business

that appeared initially attractive failed because they can no longer obtain raw materials with which to produce some failed because they can not raise enough local currency to produce spare parts for their grounded machine while some find the current cost of capital too much to bear such business try to avoid the repayment of both interest and principal debt against them by switching to other banks. (Aina, 2022).

Business failures have for reaching effect on the ability of borrowers of banks fund to repaid their debts. The resultant effects if these failure is the ever growing incidence of bad debts in Nigerian banks for example union bank which is the one of three leading banks in the country has had an unpleasant share of the burden of those debts. (Adewumi, 2020).

## **1.2 STATEMENT OF THE PROBLEM**

The impact of inflation on bad debts, which cut across all share of business society in Nigeria. Recently, the incidence of inflation has been the focused of government attention. In this project attempt will be made to analyze inflation causes and effect of the growth of the backing system in particular and the overall development and likely solution with a view to minimize it frequent occurrence detail of this may be found in next chapter.

### **The Need for the Problem**

The need for this project study has been amplified by the economic depression in which Nigeria has found here self in the past fourteen years the depression has brought with its economic problems which include huge foreign and interest debts high unemployment, severe raw materials and severe parts shortages, high rate of inflation and rapidly declining per capital income.

The economics twist of fate of Nigeria that proper her departure from can era of economic boom in the mid seventies and eighties to a period of prolonged depression is first and foremost to the sharp decline in revenue derivable from crude oil.

The depression economy can also be attributed to economic mismanagement by Nigeria leaders misplaced priorities, neglect of agriculture which can another veritable source of foreign exchange earnings, general depression in the world economy, high level of deficits spending by government and excessive imports which are not at par with exports consequent

upon the dull economic climate therefore, may loans and overdrafts facilities granted by commercial banks to individuals and corporate bodies the past are no longer being regularly services may of the facilities which are totally bad are now abandoned.

The growing brand of bad debt in the book of commercial banks is now a cause for concern to leading banker's failures to pay an existing debt limits the credit creation capability of banks and this limitation will affect economic production the volume of which is always influence by the availability of credit.

When production capacity can not be enlarged, new employment cannot be credited, when plant are under utilized labour gets retivialized or totally discarded.

There is need therefore, to look at the correction between the prevailing economical depression and the increasing failure rate of banking lending which in affect can affects banks profitability and jeopardize their shareholders return on investment.

### **1.3 RESEARCH QUESTIONS**

- i. To what extent does inflation on bad debts have impact on the financial institution?
- ii. To what extent does inflation influence the performance of financial institution?
- iii. Does inflation on bad debts affect performance of financial institution?

### **1.4 OBJECTIVE OF THE STUDY**

- i. To analyze the impact of the inflation on bad debts in financial institution through effective debt management.
- ii. To suggest ways and means by which loans liquescens can be drastically reduced through effective lending controls.
- iii. To ascertain the means of inflation and to show it affect bad debts and their financial intermediation role to the economy.

The project work is to serve as a relevant working paper and guide to other commercial bank in Nigeria.

### **1.5 RESEARCH HYPOTHESES**

- i. Inflation on bad debts does not have impact on the financial institution

- ii. Inflation does not influence the financial institution
- iii. Inflation on bad debts does not affect financial institution

## **1.6 SCOPE OF THE STUDY**

This study as the case may be covers the nature of inflation of bad debt of financial institution with particular reference to Union Bank of Nigeria Plc, Ilorin, kwara State. The study takes a holistic approach in its research to unveil the challenges and problems hindering by bad debt in financial institution in banking industry and better ways of cubing them. Therefore, the disciplinary scope of this study is the impact of inflation on bad debts of financial institution, while the spatial scope is on Union Bank of Nigeria, Ilorin.

## **1.7 THE SIGNIFICANT OF THE STUDY**

The significance of the study stems from the assumption that the attack on the impact of inflation on bad debt was originally incurred by business promoters to finance the acquisition of one thing or the other. The purpose could be an item of fixed asset, it could also be for the purpose of financial working capital what ever the case may be, inflation as it is the case in the Nigeria economy has an unfolding impact of the performance of fixed asset financed by back loan and the adequacy or other wise of the firm's working capital.

## **1.8 LIMITATION OF THE STUDY**

The major problem encountered in the course of this study is distance the company under is situated far away from the school it takes at least 30 minutes trip travelling for the collection of relevant data, Unwillingness of the respondent to give the replies.

- a. **Time constraint:** a lot of a sacrifice has to be made so that the researchers could have enough time for this study. The time lag is a serious problem faced by the researcher, that is the time space between the period it was submitted which was not sufficient enough as the researcher has to combine academic activities with the research work which was not all that easy. Additionally, the time constraint made quite challenging following up on respondents to collect questionnaire feedback for the necessary required data for analysis as well as meeting with supervisor for consultation.

- b. **Financial constraint:** the researcher encountered some financial difficulties as I could not get enough adequate funds for some activities which have great impact on the success of the researcher as well.
- c. **Availability of Data:** the statistical data to be collected were scarcely recorded in almost all department in the organization and not properly kept, not updated and this made it difficult for the researcher to get sufficient and adequate information needed.

## 1.9 DEFINITION OF TERMS

- i. **Inflation:** Inflation is the persistent rise in general level of goods and services. It is also a period in which there is a rise in the general level of price measured by price indexes.
- ii. **Moderate inflation:** Moderate inflation occurs when prices are rising slowly
- iii. **Gallop inflation:** Gallop inflation occurs when price start rising at double prices
- iv. **Hyper inflation:** Hyper in inflation is a period of extra-ordinary rises in price
- v. **Bad debt:** It is the money that can no be recovered

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 PREAMBLE**

This chapter reviews relevant literature relating to the study variables and covered the theories of inflation, review of empirical studies related to the topic, the concept of inflation and the concept of loan repayment. It also provides a conclusion identifying the gap of the study.

#### **2.2 CONCEPTUAL FRAMEWORK**

##### **2.2.1 THE CONCEPT OF INFLATION**

Inflation is as old as a market economy, it is a period in which there is a rise in general level of prices measured by price indexes which are averages of consumer or producers prices, in other words it a condition of a persistent rising in general price level. Like disease inflation shows different level of symptoms. It is useful to classify them into there categories. Moderate inflation, Galloping inflation and hyper inflation.

Moderate inflation is the medium price are rising it is not extreme or excessive, holder of moderate inflation make or become moderate we might arbitrarily classify this inflation rates, those less than ten percent annually. In conditions of moderate and stable inflation. Relative prices do not spend much time trying to unload their money because its real interest rate is not too low.

Galloping inflation is which the rate of inflation is so mild, and unalarming and is tolerated as a “price” for other objectives like sustained growth in economy. Most economist believe that a small rate of inflation (i.e. Galloping inflation) is necessary in an economy because it is natural that price must rise to stimulate production and economic growth.

Financial market whether away and funds are generally allocated by rationing rather than by interest rate people head goods, buy houses and never lend money at ordinary interest rates.

Hyper inflation or run-away inflation occurs when price have escalated to such unreasonable level that it makes money to be virtually useless. A hyper inflation means that money rapidly loses its value in such a situation, people are anxious to spend money as quickly as possible while, they can still get something in exchange for it is an extreme form of inflation.

Having discussed in detail, inflation as a subject matter. It is necessary to relate the effect of inflation on bad debts in financial institution.

It is important to note that bad debts was originally incurred by business promoters to financial this acquisition of one thing or the other. The purpose could be an item of fixed asset.

It could also be for the purpose of financial working capital. Whatever the case may be, inflation as it is the Nigerian economy has an unfolding impact on the performance of fixed asset financed by bank loan and the adequacy or other wise of the firms working capital.

It is note worthy that in an era of inflation it is the borrower of fund that has an advantage. The lending banker is usually at economic loss. This is so because the lending banker gives out fund any time the value of money is higher and expect repayment over a time frame. Because of the time value of money funds received and repaid at an installment rate in the same currency is often discovered to have lost it's original value of the time of repayment.

Owning to the high level of inflation in the Nigerian economy. May of these assets that were financed by bank loan could no longer be effectively maintained. Business promotes find it difficult to get the relevant spare parts for this assets all, the prices are so prohibitive that they can hardly afford to buy. Because of the entrepreneur inability to maintain their fixed assets plant and machinery they are forced to make use of the machine in their faculty state with their resultant effect of reduce production capacity.

While the machine continues to be flopped more damages are being done to them until such as time that machine are totally grounded and production comes to be half.

Total production stoppage is experience at this stage and it is only after these has happened that business promoters start for funds to keep the machinery working again. In the mean time since company can no longer sell and make profit, the borrower finds it difficult to meet his banking obligation again. The effect of this is too known the company's debt become abandoned thereby increasing the volume of bad debts in our banks most working capital provided by bank some times ago has in the face of the growth of inflation in our economy because totally inadequate for the need of business promoters.

A very straight forward example is the working capital provision, a union bank made for one of its cashew nut processor in February, 2000. when a tonne of cashew nut was sold for N8,000.000 three months after a tonne of this product sold for as high as N15,000.00.

Because of the sudden rise in prices the bank customers will required almost twice the original working capital provided it is to sustain his current production tempo. Because of the pressure of increased finance on the working capital requirement of firms, most company have borrowed to finance their project are finding it increasingly difficult to remain in business.

Even through, simple topic has it that, when production cost goes up selling price will naturally shoot up. Companies that have not been able to produce because of working capita problem will real have nothing to sell.

In this had time therefore, many companies have been found wanting in meeting their obligation to the bank. Many are totally short down while many remain is skeletal production.

In both cases because of the company reduce earning in the face of escalating monthly interest changes on their bad debts and bounds. Interestingly promoters of this business take refuge in abandoning their debts there by adding to the mountain of bad debt in union bank of Nigeria Plc and the banking industry in general.

### **2.2.2 CONCEPT OF BAD CREDIT**

Credit given by commercial banks are good for the borrower, the national and the loan guarantor but soon become a disadvantage to the letter when borrower do not pay back as agreed or they default and the loan become bad. Bank credits that are often given by banks are agents of economic growth and business development. Loans and advances are important to the bank because they are account for a large proportion of their income.

It is the income derivable from these facilities that enable the banks to achieve their profit maximization objective and which serves as their main attraction when considering their customer's new requests. As important as loans and advance are to banks, so also do they constitute the most risky assets in a bank portfolio. They may become bad and irrecoverable and therefore turn into problem lending. Credits are off shorts of deposits and the ability to



raise deposits it is observed that commercial bank in Nigeria lend on short-term basis because the bulk of their deposits are also of short duration.

### **2.2.3 CAUSES OF BAD DEBTS**

There can never be an exhaustive list of reasons for bad debts as they are as multifarious as there are disease. The longer one live as a banker the more experience being a painful but realistic witness of accounts once cherished as impressive beginning to show ailing signs and finally becoming classified.

The banker like a car driver should alert sport early danger signals so as to avoid a disastrous accident. Some of the cause of a bad debts are enumerated below.

1. Poor analysis of financial data
2. Quality of financial statement
3. Bad management of the account
4. Inadequate project monitoring
5. Misrepresentation and dishonesty on the part of customers.
6. Excessive lending on security values
7. Inadequate project finding
8. Raw material crisis
9. Matter beyond customer's control, such as fire burglaries and hole cast all of which are insurable and some others like retrenchment and debt over which he has no control.
10. Loss of market
11. Management in competence on the part borrower
12. Diversion of fund like diverting working capital to fixed asset development.
13. Lack of adequate spare parts for plant equipment
14. Policy of lending
15. Bank negligence by posting wrong an unit into account
16. fraud

Some of the cause of bad debts listed above can be symbolically likened to a pot sitting lending while causative factors which can be the bank officials, the borrowing customers or other uncontrollable factor represent the tripod very offend, bank loans or overdraft are regarded borrowers as their no intention to repay such loans are often diverted to purposes other than the one for which they were granted at time into building, funeral or late grand father or mothers, bid memorials in news papers, expensive cars e.t.c transaction are consummated in cash to avoid taxation with consequent deflation of turnover in the banks.

Loans and advance secured from a particular bank can be treated almost like a grant since with the collusion of the bank staff or through inefficient book keeping the bank will not press its claim when the advances are due to be retired.

#### **2.2.4 CONCEPT OF DEBTS RECOVERY**

Debt recovery is about the most difficult and hazardous task of a banker. It is uninteresting and hazardous task of a banker. It is most union hope of possible recovery of bad debt depend on the effectiveness of any special recovery effort or strategies put in.

When recovery is hopeless, bad debts are written off from profits thus reducing profitability and not worth of the business. In anticipation of default therefore and in order to achieve the recovery of bad debts banks usually required their borrowing customers to provide securities for their loans and advances and these securities are expected to be perfected before any draw down of the facility is allowed.

Where remedial actions fail, the logical step for a banker whose claim is secured is usually to point a receiver that need for adequate security for bank loans and advances which is the recovery of a bad debt cannot be over emphasized.

Then it must be noted that when things start to go wrong for a customer and once we are aware of the nonpayment of the debt, we have to look into what we have in our securing dossier.

Furthermore, facilities should be agreed subject to security coverage. Therefore credit managers should ensure that security offered is fully perfected before customers is allowed to draw down.

Security perfection is the only prudent practices since customers are over willing to co-operate before any drawn down is effected by become extremely difficult, once they have taken the money advanced to them accepting the need for debt recovery, it is agreed that not all business do survive.

Debt recovery and security realization are and important aspect of banking but debt recovery should not be totally hinged on the realization of security alone, debt recovery is no doubt-often strewn with problems.

Customers may turn hostile when pressed to make good their obligation to the bank. they may not honour the bank's invitation or simply may resort to litigation to delay security realization and while they buy time may attempt to subvert the bank's realization effort by stripping the corporate debtors of some of the assets charged to the bank.

Debt recovery becomes almost impossible when facilities advanced are unsecured fails to meet the repayment requirements, the bank may have to undergo along and tedious process of litigation

### **2.2.5 ADVANTAGES AND DISADVANTAGES OF INFLATION**

Increase in earning of business men. Businessmen gain more profits during inflation especially during the initial stages when wages do not rise in the same proportion as rise in price of goods and services.

Redistribution of income-inflation redistributes income from workers and peasants to capitalists and entrepreneurs. This means that workers and peasant become poorer where as businessmen become richer.

Fixed income earners real income fall during inflation, what money can buy (i.e. real income) falls. Those who suffers most are fixed income receivers, e.g. pensioners, salary earners, landlords, etc. This is because fewer goods can now be obtained with their given income.

Effective price control government can check inflation, also by fixing maximum prices for both raw materials and finished goods and ensuring adequate implementation of such a policy. Inability to increase domestic food production farmers are becoming more attracted to cash crop production since this earns them more incomes. moreover, oil drilling (e.g. in Nigeria and

mining e.g.) in sierra leone) have diverted attention from farming. The situation has been worsened by the drought that has afflicted a number of west African countries.

## **2.3 THEORETICAL FRAMEWORK**

### **2.3.1 The Classical Quantity Theory of Money**

This theory was developed by Fisher (2019), where he took the view that money was only used as a medium of exchange to settle transaction involving the demand and supply for goods and services. Empirical studies of the quantity theory of money (QTM) have focused directly on the relationship between the rate of change of the money stock and inflation. In monetary economics, the quantity theory of money is the theory that money supply has a direct, proportional relationship with the price level, (Fisher, 2020). The theory was challenged by Keynesian economics, but updated and reinvigorated by the monetary school of economics. While mainstream economists agree that the quantity theory holds true in the long run, there is still disagreement about its applicability in the short run. Critics of the theory argue that money velocity is not stable and, in the short-run, prices are sticky, so the direct relationship between money supply and price level, (Friedman, 2021). The quantity theory of money, despite its affinity with monetarism in Western economics, has long been one of the accepted doctrines of the socialist monetary authority. The version of the quantity approach adopted is of course the classical, transactions-based one rather than the modern, Friedmanite extension which includes considerations on interest rates, assets and wealth, and adaptive expectations, among other variables, (Friedman, 2023).

### **2.3.2 The Keynesian Theory**

Keynes, (2018) argued that an increase or decrease in money supply only affects, only indirectly, the demand for goods and services and hence the level of income though a change in the rate of interest thus for example an increase in money supply leads to a fall in the rate of interest which in turn causes private investment to fall and ultimately results in a decline in the level of national income. The impact on the economy of the increase in money supply depends on the effect that the interest rates produce. According to Keynesian view, both investment demand and consumer demand are relatively insensitive to interest rate changes. That is why the interest is inelastic,

(Keynes, 2015). Keynes (2018) argued that the volume of investments' depends heavily on technological changes and business confidence and expectations, hence an increase in the supply of money will have a limited effect on aggregate demand and consequently relatively little effect on output and employment. Keynesian argues that monetary policy will have limited effect on the economy and national income, because increase in money supply would be neutralized by the reductions in the velocity of circulation leaving PT unaffected. According to Keynes increase in money supply cannot lead to a proportional increase in the price level, (Keynes, 2015).

### **2.3.3 Monetarist Theory**

Monetarists argue that since money is a direct substitute for all other assets, an increase in the supply of money, given a fairly stable velocity of circulation, will have a direct effect on the demand for other assets since there will be more money to spend on those assets. If the total output of the economy is fixed, then an increase in the money supply will lead directly to higher prices (Friedman, 2016). Monetarists therefore reach the same conclusion as the old quantity theory of money that a rise in money supply will lead directly to a rise in prices and probably also to a rise in money incomes, an increase in real output and so an increase in employment (Friedman, 2022). In the long run however, they argue that all increases in the money supply will be reflected in higher prices unless there is a long-term growth in the economy. Monetarist school of economic thought contended that money supply is a key determinant of the level of production the short run and the rate of inflation in the long run. In order to minimize uncertainty monetarist advocated for the maintenance of a constant rate of growth of money supply (Friedman, 2017).

### **2.3.4 Determinants of Loan Repayment**

Default on Default on borrowed funds could arise from unfavorable circumstances that may affect the ability of the borrower to repay as pointed out by Stiglitz and Weiss (2020). The most common reasons for the existence of defaults are the following: if the financial institution is not serious on loan repayment, the borrowers are not willing to repay their loan; the financial institutions staffs are not responsible to shareholders to make a profit; clients lives are often full of unpredictable crises, such as illness or death in the family; if loans are too large for the

cash needs of the business, extra funds may go toward personal use; and if loans are given without the proper evaluation of the business, (Norell, 2016).

Wakuloba (2015) in her study on the causes of default in Government micro credit programs identified the main causes of default as poor business performance, diversion of funds and domestic problems. Breth (2017) argued that there are many socio-economic and institutional factors influencing loan repayment rates. The main factors from the lender side are high-frequency of collections, tight controls, a good management of information system, loan officer incentives and good follow ups. In addition, the size and maturity of loan, interest rate charged by the lender and timing of loan disbursement have also an impact on the repayment rates (Oke et al., 2017). The main factors from the borrower side include socio-economic characteristics such as, gender, educational level, marital status and household income level and peer pressure in group based schemes. Khemraj & Pasha (2019) and Fofack (2015) stated that there is a positive relationship between the inflation in the economy and non-performing loans. Nkusu, (2021) explained that this relationship can be positive or negative. According to the author inflation affects loan payment capacity of borrowers positively or negatively, higher inflation can enhance the loan payment capacity of borrower by reducing the real value of outstanding debt. Moreover increased inflation can also weaken the loan payment capacity of the borrowers by reducing the real income when salaries/wages are sticky.

#### **.4 EMPIRICAL REVIEW**

Ng'etich & Wanjui (2018) carried out a study that sought to establish the effects of interest rate spread on the level of Non Performing Assets (NPAs). The study adopted a descriptive research design on a sample of all commercial banks in Kenya operating by 2008 which were 43 in number. The study used questionnaires to collect data from primary data sources and secondary data, collected from Bank Supervision Report, to augment the primary data findings. The study used both quantitative and qualitative techniques in data analysis to the relationship between the interest rate spread and loan non-performance.

The data was presented using graphs, table and pie-Charts. The study concluded that interest rate spread affects performing assets in banks as it increases the cost of loans charged on the borrowers, regulations on interest rates have far reaching effects on assets non-performance, for such regulations determine the interest rate spread in banks and also help mitigate moral hazards incidental to NPAs. Credit risk management technique remotely affects the value of a bank's interest rates spread as interest rates are benchmarked against the associated non-performing assets and non-performing assets is attributable to high cost of loans. The study recommends that commercial banks in Kenya should assess their clients and charge interest rates accordingly as ineffective interest rate policy can increase the level of interest rates and consequently NPAs. They apply stringent regulations on interest rates charged by banks so as to regulate their interest rate spread and enhance periodic/regular credit risk monitoring of their loan portfolios to reduce the level of NPAs. Bichanga & Aseyo (2015) carried out a study to find out the causes of loan default within Micro Finance Institutions (MFIs) in Trans-Nzoia County. Specific objectives were to investigate how non- Supervision of borrowers influences the loan repayment financed by MFIs in Trans-Nzoia county; to find out the effects of shrinking economic growth experienced by borrowers on loan repayment and to establish how diversion of loan funds by borrowers leads to default in loan repayment. The target population comprised a total of 400 loan borrowers and 200 MFIs out of which a sample of 150 was picked using simple random sampling for each stratum, which enable every member of the population have an equal and independent chance of being selected as respondents and also simplest, most convenient and bias free selection method. The data was collected by use of structured and semi-structured questionnaire. The data was analyzed from questionnaires using both quantitative and qualitative techniques and tabulated by use of frequency tables. The study found out that loan repayment default was as result of non supervision of borrowers by the MFIs, and also as a result of inadequate training of borrowers on utilization of loan funds before they received loans. The findings also revealed that most borrowers did not spend the loan amount on intended and agreed projects.

Ogol (2020) carried out a study to investigate factors affecting loan repayment among customers of commercial Banks in Kenya with specific reference to Barclays Bank of Kenya Limited. The study achieved its purpose through three objectives namely to determine the effect of Lenders factors on loan repayment among customers of commercial Banks in Kenya, to find out the extent to which Borrowers factors affect loan repayment among customers of commercial Banks in Kenya and finally to establish the effect of loan factors on loan repayment among customers of commercial Banks in Kenya. The study included staff of Barclays Bank of Kenya which includes Credit Administrators and Relationship Managers within the Branches of Nairobi County. It also included both mass market customers and the relationship managed customers. The target population included 78 respondents. The research design used was descriptive statistics. The study reviewed relevant literature with the aim of establishing a gap which the research fulfilled. Methods of collecting data were questionnaires and interview schedules. This study concludes that there is a significant relationship between firm/group factors and the loan repayment among customers of commercial banks in Kenya. The study also concluded that there was a significant relationship between individual borrowers' factors and the loan repayment among customers of commercial banks in Kenya. The study further concluded that there is a significant relationship between loan factors and loan repayment among customers of commercial banks in Kenya.

Kiliswa (2017) conducted a study with the objective of identifying the major determinants of loan repayment in Small Scale Enterprises (SSEs) with particular reference to SSEs in Kariobangi Division, Nairobi County. In order to achieve this objective, primary data were collected from 50 randomly selected respondents by using questionnaires. For data analysis, descriptive statistics including mean, frequency and percentages were used to describe the socio-economic characteristics of the borrowers. A regression model was used to analyze the determinants of loan repayment. The study found that even though many factors can lead to loan defaults, some of the factors were regarded to be of higher impact. Business related factors were significant in influencing loan repayment of the respondents with increase in input prices as the major factor that led to loan defaults while death of spouse was seen as the least factor



that led to loan default. In addition, education level, family size, amount of loan applied and business experience of the respondents were found to have a positive relationship to loan repayment. Age, interest rate and change in gender had an inverse relationship to loan repayment. The study recommended that more loans should be advanced to female SSE owners aged 30-40s as they proved to be the least loan defaulters. SSEs in Kariobangi division should use prequalified suppliers in order to minimize variation in input prices. The financial institutions should provide financial education and awareness to SSE owners as they are less educated.

Apunyo (2020) did a study that sought to determine the effect of interest rates on loan repayment in Uganda's commercial banks using study of Equity bank. The analysis was implemented based on data obtained from 10 bank officials and 50 customers. The data analysis was based on the objectives of the study and done by use of Statistical Package for Social Sciences on collected data. The result of the study reveals that there is to great extent a close relationship between interest rates and loan repayment in conjunction with business growth and performance. High interest rates, coupled with lack of entrepreneurial skills were seen as the major factors that have a direct bearing with the loan repayment among Equity Bank loan customers. The study also established that all respondents were fully aware of the effect of interest rates role played by micro-credits in regards to business performance. Basing on their views, the provision of loans to entrepreneurs has a great impact on the businesses performance as compared to businesses not facilitated by micro-credits. This partly explains unenthusiastic regard of the management of Uganda Micro Finance Institutions to their improvements, in the credit terms to their client's entrepreneurs. However the businessperson appeared to be supportive to the micro-credit scheme, they yarned and claimed for increase of their loans and reduction on the interest rates and requested for entrepreneurship skill training and loan investment workshop as being the major factors that will lead to the improvement of their business performance.

Muhammad *et al* (2017) carried out a study to provide the perception of Pakistani bankers regarding the economic factors causing non-performing loans in the Pakistani banking sector

since 2006. The study was conducted via a well-structured questionnaire and data was collected from 201 bankers who were involved in the lending decisions or analyze the credit risk or handling non-performing loans portfolio. Correlation and regression analysis was carried out to analyze the impact of selected independent variables (Interest Rate, Energy Crisis, Unemployment, Inflation, GDP Growth, and Exchange Rate) on the non-performing loans of Pakistani banking sector. Top 10 Pakistani banks were selected as a sample. According to the results Pakistani bankers perceive that Interest Rate, Energy Crisis, Unemployment, Inflation, and Exchange Rate has a significant positive relationship with the non-performing loans of Pakistani banking sector while GDP growth has significant negative relationship with the non-performing loans of Pakistani banking sector. The study also discussed how good loans are turning into bad loans due to disaster in energy sector of Pakistan and how these energy crisis are badly affecting the banking sector of Pakistan.

#### **2.4.1 RESEARCH GAP**

If inflation is anticipated, it significantly impacts financial performance. It seems especially clear regarding the effective distribution of the available resources, it has demonstrated that a high inflation rate reduces the financial sector's efficiency by increasing financial market frictions, lowering investment levels, and slowing economic growth. Further, policymakers are preoccupied with the issue of inflation due to its effects on the economy, which include deterring long-term planning, lowering savings and capital accumulation, decreasing investment., causing a shift in the distribution of real. Income and a resulting misallocation of resources, and introducing uncertainty and distortions into the informational content. of prices. Depending on the precise model assumptions, economic theory can forecast whether the trend of inflation will have a positive, negative, or zero impact on financial performance. The anticipated association between inflation and financial performance is still largely a matter of empirical investigation given the lack of a theoretical agreement. The consensus among economists on the impact of policy decisions on inflation rates highlights the importance of stable monetary policy for economic stability.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 PREAMBLE**

This chapter highlights the procedures used in conducting the study. Pertinent issues discussed in this section include the research design, population of the study, sample size and sampling techniques, sources and methods of data collection, instrument of data collection and techniques for data analysis.

#### **3.2 RESEARCH DESIGN**

A research design is the basic plan which guide the data collection and analysis phase of the research project. It is structuring of investigation aimed at identifying variables and their relationships to one another. It is basically a preconceived notion of what the information, the investigation needs to generate to complete the study, why it is needed, how it is needed to be secured and how it is to be referred and related to the statement of the problem.

In management science, the research methods employed include historical, empirical, case study and survey method. Survey method was therefore employed for this study.

#### **3.3 POPULATION OF THE STUDY**

A population is an aggregate of similar things, that is the total head count of the element involved in the programme affected. Cherisnall (2020) described population as any group of people or objects which are similar in more ways and which forms the subject of the study in a particular survey.

In this research work, the population is involves the staff in the administration department and accounting department of Union Bank, Ilorin. Under investigation formed the population of the study since it would be impossible for the researcher to study and investigate all the staff responsible for the information sort for. The population of the study is the entire staff of Accounting Department of Union Bank, Ilorin. The entire staff of this department is 50 staff.

Sample size of the population is 50 and the researcher issue the same number of the questionnaire to the staff of the company to answer. To determine the minimum number of response from each of the section of work in the population Bowley's proportional method or formula was applied.

### 3.4 SAMPLE SIZE/SAMPLING TECHNIQUES

Sampling of the opinion has been drawn using simple random sampling method. The population is 50 respondents. Random sampling is used because it is the only method that gives the respondents equal chance of being selected and it is an unbiased techniques. Therefore, to determine the sample size for the study, Yaro Yamane's formula will be applied.

$$n = \frac{N}{1 + N(e)^2} \quad N = 50$$

Where N = population

n = sample size

e = error

$$\frac{n = 50}{1 + 50(5\%)^2}$$

### 3.5 SOURCES AND METHOD OF DATA COLLECTION

The two basic sources of data collection used include primary and secondary data collection

1. **PRIMARY DATA COLLECTION:** This refers to data collected fresh in relation to this research work. They could also refer to as first hand raw information. These data are obtained through questionnaire administration. The use of the accessibility of the designed respondent. Also as long as they are properly designed, respondents identifies kept confidential, reliable responses are obtained.
2. **SECONDARY DATA COLLECTION:** These are existing reformation which is useful for the purpose for the specific surveys, it includes readily available data which have been collected and used for other purpose. These sources include magazines, journal, textbooks, newspaper, abstract and annual report etc.

Therefore in course of paper conduct of this research work, important and relevant information will be obtained from the members of staff and management of Union Bank, Ilorin. Professional journal will also be used in this regard. Also literature relevant to this thesis of high value in the theoretical frame work. Discussion with colleagues and member of staff of Union Bank, Ilorin will also serve as part of the sources.

### **3.6 INSTRUMENT FOR DATA COLLECTION**

The primary data was employed in gathering information from staff of all cadres. Interviews were also conducted with other stakeholders, including customers of the company. The questionnaire consists of two sections. Section A elicits demographic information like gender, working experience, while Section B contained structured items relating to the research questions that necessitated this research.

### **3.7 TECHNIQUES FOR DATA ANALYSIS**

Data collected for the testing of the hypothesis were analyzed using simple statistical tools like mean, standard deviation, tables and percentages.

The standard hypotheses of the study were tested with the use of  $\chi^2$  = chi square test statistics which is expressed as  $\chi^2 = \sum (O - E)^2$  with the degree of freedom of  $v = k-1$

Here,  $O$  = observed frequency

$E$  = Expected frequency

The maximum response rating for each question is 5% and this gives an expected mean score of 2.5.

In analyzing the responses to the questions, the decision rule applied is that, if calculated mean is greater than expected mean of 2.5, we accept the statement, otherwise, we reject it. With respect to the hypothesis testing, if the calculated value of  $\chi^2$  is greater than the table value, we reject the null hypothesis and accept the alternative.

## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

#### 4.1 PREAMBLE

In this chapter, data collected using the instrument of data collection were presented and analyzed. The data such presented were based on the responses from the respondents through the use of carefully administered questionnaires which was completed and returned to the researcher.

#### 4.2 RESPONDENTS CHARACTERISTIC AND CLASSIFICATION

**TABLE 1: SEX OF RESPONDENTS**

| SEX    | NO OF RESPONDENTS | PERCENTAGE |
|--------|-------------------|------------|
| Male   | 15                | 30         |
| Female | 35                | 70         |
| TOTAL  | 50                | 100%       |

**Source: Researcher's Survey, 2025**

Table 4.1 shows that 15 respondents representing 30% of the total respondents were male while 35 respondents representing 70% of the total respondents were female. The significance of this result was that more women are involved in this survey than men.

**TABLE 4.2: EDUCATION QUALIFICATION OF RESPONDENTS**

| QUALIFICATION | NO OF RESPONDENTS | PERCENTAGE |
|---------------|-------------------|------------|
| O'Level       | -                 | -          |
| OND/NCE       | 14                | 28         |
| BSC/HND       | 36                | 72         |
| Others        | -                 | -          |
| TOTAL         | 50                | 100%       |

**Source: Researcher's Survey, 2025**

Table 4.2 shows that 14 respondents representing 28% of the total respondents were holders of either National Diploma (ND) certificate or NCE certificate while 36 respondents

representing 72% of the total respondents were holders of either BSO or HND certificate. None of the respondents were holder of O' level certificate and none of the respondent were holder of Other qualification. The significance of this result was that respondent with higher qualifications and thus better knowledge and experience were used for the study. This will enhance the reliability of the result and findings obtained from the study.

**TABLE 4.3: MARITAL STATUS OF RESPONDENTS**

| RESPONSE | NO OF RESPONDENTS | PERCENTAGE |
|----------|-------------------|------------|
| Single   | 10                | 20         |
| Married  | 40                | 80         |
| Others   | -                 | -          |
| TOTAL    | 50                | 100%       |

**Source: Researcher's Survey, 2025**

Table 4.3 shows that 10 respondents representing 20% of the total respondents were Single while 40 respondents representing 80% of the total respondents were Married. No respondent indicate other status. The significance of this result was that more Married personnel thus responsible people were involved in the research work.

#### **4.2 PRESENTATION AND ANALYSIS OF DATA ACCORDING TO RESEARCH QUESTIONS**

**TABLE 4.4: DOES PROVISION OF UNION IS FOR PUBLIC AND PRIVATE SECTORS**

| Response    | Number | Percentage |
|-------------|--------|------------|
| Short-term  | 20     | 40%        |
| Medium term | 30     | 60%        |
| Long term   | -      | -          |
| Total       | 50     | 100%       |

**Source: field survey 2025**

Table 4.4 shows that 20 or 40% of the responses received believed that union Bank provides short term financial assistance to both public and private sectors while 30 or 60% of the response accepted that their bank provide medium term financial assistance to customers.

**TABLE 4.5: ENCOUNTER CASES OF BAD DEBTS BETWEEN 1988-1993**

| Response | Number | Percentage |
|----------|--------|------------|
| Yes      | 50     | 100%       |
| No       | -      | -          |
| Total    | 50     | 100%       |

Source: field survey 2025

Table 4.5 shows that 50 or 100% of the responses received belied that banks encounter case of bad debt from 1988-1993.

**TABLE 4.6: THE AMOUNT INVOLVED IN SUCH CASE STARTING**

| Response | Number | Percentage |
|----------|--------|------------|
| Yes      | 41     | 84%        |
| No       | 9      | 18%        |
| Total    | 50     | 100%       |

Source: field survey 2025

Table 4.6 shows that 41 or 82% of the response received accepted that the amount involved in case of bad debt were staggering/starting while 9 or 18% of the responses opined that the amount were not starting.

**TABLE 4.7: INADEQUATE COLLATERAL SECURITY PROVISION AFFECTED THE INCIDENCES OF BAD DEBTS IN UNION BANK**

| Response      | Number | Percentage |
|---------------|--------|------------|
| Create extent | 40     | 80%        |
| An extent     | 10     | 20%        |
| No extent     | -      | -          |
| Total         | 50     | 100%       |

Source: field survey 2025

Table 4.7 Shows that 40 or 80% of the response received were of the opinion that inadequate collateral security provision by customer's affects the incidence of bad debts in money-deposit bank (Union bank) to a great extent for the stated period. Where a 10 or 20% of the responses accepted that it affects the incidence of bad debt in union bank to an extent for the stated period



**TABLE 4.8: THE FUND DIVERSION HAVE EFFECT ON BAD DEBT IN UNION BANK**

| Response | Number | Percentage |
|----------|--------|------------|
| Yes      | 47     | 94%        |
| No       | 3      | 6%         |
| Total    | 50     | 100%       |

Source: field survey 2025

Table 4.8 above shows that 47 or 94% of the response received accepted that fund diversion has some effect on bad debt in union bank while 3 or 6% of responses believed that it has no effect on bad debt in union bank.

**TABLE 4.9: THE BANK ENCOUNTER PROBLEM IN THE RECOVERY OF THESE LOAN**

| Response | Number | Percentage |
|----------|--------|------------|
| Yes      | 50     | 100%       |
| No       | -      | -          |
| Total    | 50     | 100%       |

Source: field survey 2025

Table 4.9 shows that 50 or 100% of responses received opined that union bank encounter problems in recovery of the loan given to customers during stated period.

**TABLE 4.10: THE CENTRAL BANK INTERES RATE CELLING POSE A PROBLEM TO UNION BANK IN GRANTING THESE LOAN**

| Response | Number | Percentage |
|----------|--------|------------|
| Yes      | 48     | 96%        |
| No       | 2      | 4%         |
| Total    | 50     | 100%       |

Source: field survey 2025

The above table shows that 49 or 96% of the responses received believe that central bank interest rate ceiling poses a problem to the bank in granting loan to borrowers.

**TABLE 4.11: IMPROPER PROJECT EVALUATION HAVE SIGNIFICANT RELATIONSHIP WITH BAD DEBT IN UNION BANK FROM THE PERIOD**

| Response | Number | Percentage |
|----------|--------|------------|
| Yes      | 50     | 100%       |
| No       | -      | -          |
| Total    | 50     | 100%       |

Source: field survey 2025

Table 4.11 shows that 50 or 100% of responses received were of the opinion that improper project evaluation has a significant relationship with bad debt in union bank of Nigeria plc from the period.

#### 4.4 TEST OF HYPOTHESIS

##### Statement of Hypothesis

Ho: inadequate collateral provision by borrows does not increase the incidence of bad debts in Union bank of Nigeria Plc.

Test technique

Chi-square –  $\chi^2$  test

Formula for test technique

$$X^2 = \sum (oi - ei)$$

Where

$X^2$  = chi-square

Oi = observed frequency

Ei = expected frequency

F = degree of freedom =  $(c-i) (R-i)$   
 $(3-1) (2-1)$   
 $(2) (1) = 2$

Level of significance 5%

##### Decision Rule

Reject Ho, if calculated is greater than table value otherwise accept Ho

| Response     | Oi | Ei    | Oi-ei  | (oi-ei) | (oi-ei) <sup>2</sup> |
|--------------|----|-------|--------|---------|----------------------|
| Great extent | 40 | 16.67 | 23.33  | 544     | 32.63                |
| An extent    | 10 | 16.67 | -6.67  | 44      | 2.44                 |
| No extent    | -  | 16.67 | -16.67 | 278     | 16.68                |

Calculated value  $X^2_{05} = 38.72$

Total value  $X^2_{05} = 5.991$

### DECISION

Since computed value is greater than table value, 51-944 75.001, reject  $H_0$  which means that inadequate collateral provision by borrowers increase the incidence of bad debts in union bank of Nigeria Plc.

### Decision rule

**Reject  $H_0$ , if calculated valued greater than table value, otherwise accept  $H_0$**

| Response | O <sub>i</sub> | E <sub>i</sub> | O <sub>i</sub> -e <sub>i</sub> | (o <sub>i</sub> -e <sub>i</sub> ) | (o <sub>i</sub> -e <sub>i</sub> ) <sup>2</sup> |
|----------|----------------|----------------|--------------------------------|-----------------------------------|--|
| Yes      | 48             | 25             | 23                             | 529                               | 21.16  |
| No       | 2              | 25             | -23                            | 529                               | 21.16  |
|          |                |                |                                |                                   | 43.32  |

Calculated value  $X^2_{05} = 42.32$

Total value  $X^2_{05} = 3.841$

### DECISION

Since computed value is greater than table value  $42.32 > 3.841$  rejected  $H_0$  which means that Government intervention has direct influence on when Bank of Nigeria Plc and bad debts.

### TEST OF HYPOTHESIS

#### STATEMENT OF HYPOTHESIS

$H_0$ : inadequate collateral provision by borrowers does not increase the incidence of bad debts in union bank Of Nigeria Plc.

Test technique

Chi-square - $\chi^2$  test

Formula for test technique

$$X^2 = \sum (o_i - e_i)^2 / e_i$$

Where

$X^2$  = Chi-square

O<sub>i</sub> = Observed frequency

E<sub>i</sub> = Expected frequency

$$F = \text{Degree of freedom} = (c-i) (R-e)$$

$$(3-1) (2-1)$$

$$(2) (1) = 2$$

Level of significance 5%

### DECISION RULE

**Reject Ho, if calculated is greater than table value, otherwise accept Ho**

| Response     | O <sub>i</sub> | E <sub>i</sub> | O <sub>i</sub> -e <sub>i</sub> | (o <sub>i</sub> -e <sub>i</sub> ) | (oi-ei) <sup>2</sup> |
|--------------|----------------|----------------|--------------------------------|-----------------------------------|----------------------|
| Grate extent | 40             | 16.67          | 23.33                          | 544                               | 32.63                |
| An extent    | 10             | 16.67          | -6.67                          | 44                                | 2.64                 |
| No extent    | -              | 16.67          | -16.67                         | 278                               | 16.68                |

Calculated value  $X^2_{05} = 51.95$

Total value  $X^2_{05} = 5.991$

### Decision

Since computed value is greater than table value, 57.944 75.001, reject Ho which means that inadequate collateral provisions by borrowers increases the incidence of bad debts in union Bank of Nigeria plc.

Ho: fund diversion does not affect bad debt in union bank of Nigeria Plc.

### Test Technique

Chi-square =  $X^2$  test

Where

Chi-square =  $X^2 = (oi-ei)^2$

Where

$X^2$  = chi-square

O<sub>i</sub> = observed frequency

E<sub>i</sub> = expected frequency

F = degree of freedom = 1°

Level of significance = 5%

Ho: improper project evaluation has no significant relationship with bad debt in union bank of Nigeria Plc.

Test technique

Chi-square =  $\chi^2$  test

$$\chi^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Where

$\chi^2$  = chi – square

$O_i$  = observed frequency

$E_i$  = expected frequency

F = degree of freedom = 1°

Level of significance = 5%

### Decision rule

**Reject Ho, if calculated valued greater than table value, otherwise accept Ho**

| Response | O <sub>i</sub> | E <sub>i</sub> | O <sub>i</sub> -e <sub>i</sub> | (o <sub>i</sub> -e <sub>i</sub> ) | (o <sub>i</sub> -e <sub>i</sub> ) <sup>2</sup> |
|----------|----------------|----------------|--------------------------------|-----------------------------------|--|
| Yes      | 50             | 25             | 25                             | 625                               | 25   |
| No       | -              | 25             | -25                            | 625                               | 25   |
| Total    |                |                |                                |                                   | 50   |

Calculated value  $\chi^2_{0.05} = 50$

Total value  $\chi^2_{0.05} = 3841$

### DECISION

Since computed value is greater than table value  $50 > 3841$ , reject Ho which means that improper project evaluation has significant influence on the bad debt of union Bank of Nigerian Plc.

### 4.5 SUMMARY OF FINDINGS

In this chapter, data collected using the instrument of data collection were presented and analyzed. The data such presented were based on the responses from the respondents through the use of carefully administered questionnaires which was completed and returned to the researcher.

## **CHAPTER FIVE**

### **5.0 SUMMARY**

Bad debts are issue that many banks these days do not want to discuss. The growing size of these debts in each of the book of the bank and the difficulties experienced in recovery the debts by these bank's make any discussion on bad debts and unpleasant issue to the bank.

Most bank want to keep the actual size of their had debts to themselves and only make available to the researcher their annual provision figures contained in their annual audited balanced sheet. They always see any researcher as trying to say into their corporate secret. Bank official were not ready to assist and the few data collected from that and were obtained for in willing helpers of the branch.

Some customers of union Bank of Nigeria Plc whose business collapsed as a result of the economics depression and whose account in the bank went bad as a result of these failures where unfriendly when approached for discussion on how the bank has been trying to help them out of their problems.

The cases listed in chapter three were only put together after studying the advance files of the customers listed in the branches were they maintained their accounts.

The forgoing limitation are not meant to scare anybody who may went to research in to loan delinquencies in Nigerian bank but to prepare.

The mind of the prospective researcher for the likely obstacles that may come his/her way in the course of his/her study for any way successful work to be taken on this study in the future the researcher must be tactful in extracting information from bank officials and allow himself sufficient time to work on the project.

### **5.1 CONCLUSION**

The current economic depression has aided the growth of debt bad debts in union bank. The researcher rises to discuss the relevance of commercial bank to economic growth through the intermediation role they play in the economy and how bad debt which destroy this money in the banking may prevent the bank from playing the role more effectively.

The effects of inflation on bad debts with three life case studies in union bank are discuss in union bank are discuss in chapter three which are exact representation of real life reports on some account in the branches of the bank. The case who the reason why each customers failed and how those failures could have been averted.

This study also offers policy recommendation to union bank plc in particular and other commercial bank in general on how growth of bad debts can cured and their management in proved by these banks.

It is hoped that the policy recommendation offered in this study which are designed to cured the growth of these debt will be useful for commercial bank in Nigeria for the good of the nations economy.

## **5.2 RECOMMENDATION**

In order to stem the tide of growth of these debts and in the process minimize their negative effects on the profitability of the bank and the economy the following.

Recommendation are offered better appraisal of loan request.

- i. This implies that the bank manager must look critically at factor that may affect this customers business in the forcible future and which may jeopardized to this customer the need for him to consolidate because booms do no go on forever

### **ii. Policy lending**

Most bank lending which were influenced by the merit of the proposal normally goes bad. Lending managers who take such lending decision are always subjective into their judgments. Approval of bank loans should not be linged on friendship. The bank senior executive's manager under them when those junior managers are approach by their friend or relations for bank facilities advance appraisals be left for through professional appraisal in the growth of bad debts is to pegged in the banks.

- iii. Provision of Good security for bank facilities security consideration from one of the cannons of lending but this consideration is to serve as insurance against default. It is a consideration that has been relegated to the background over the year the absence of which may not necessity stand against the approval of a loan.

- iv.** Period check on Branch Accounts. The present system whereby a branch managers performance scrutinized by the bank's inspectors once in eighteen month has to be received periodic visit to branches from the area offices by the area advances managers to scrutinize the branch accounts.

Such visit will serve as a moral check on the activities of branch managers and will enforce their compliance with their superior institution before loan are disbursed.



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**APPENDIX**

Department of Accountancy,  
Institute of Finance and Mgt. Studies,  
Kwara State Polytechnic,  
P.M.B 1375 Ilorin,  
Nigeria.  
30<sup>th</sup> April, 2025.

Dear Respondent,

**REQUEST FOR THE COMPLETION OF QUESTIONNAIRE**

I am a final year student of above named institution, I am currently conducting a study on **THE IMPACT OF INFLATION ON BAD DEBTS OF FINANCIAL INSTITUTION (A CASE STUDY OF UNION BANK, ILORIN)**.

This study is an in partial fulfillment of the requirement for the award of Higher National Diploma, (HND) in Accountancy.

I would be very grateful if you would kindly give your candid response to the under listed question. I promise to treat every information you supply in this questionnaires with almost confidence.

Thanks and God bless you.

Yours faithfully,

**AFOLABI ABOSEDE GRACE**

## QUESTIONNAIRE

Please read and follow the instruction before answering any question

Thick in ✓ the box as appropriate

1. Sex: Male ( ) Female ( )
2. Educational qualification: OND ( ) HND ( ) B.Sc. ( ) PHD ( ) Master ( )
3. Marital status: Single ( ) Married ( )

### SECTION B

4. DOES PROVISION OF UNION IS FOR PUBLIC AND PRIVATE SECTORS? (a) Strongly agreed ( ) (b) Agreed ( ) (c) Neutral ( ) (d) Disagreed ( ) (e) Strongly disagree ( )
5. DOES THE AMOUNT INVOLVED IN SUCH CASE STARTING? (a) Strongly Agreed ( ) (b) Agreed ( ) (c) Neutral ( ) (d) Disagreed ( ) (e) Strongly disagree ( )
6. DOES INADEQUATE COLLATERAL SECURITY PROVISION AFFECTED THE INCIDENCES OF BAD DEBTS IN UNION BANK? (a) Strongly Agreed ( ) (b) Agreed ( ) (c) Neutral ( ) (d) Disagreed ( ) (e) Strongly disagree ( )
7. DOES THE FUND DIVERSION HAVE EFFECT ON BAD DEBT IN UNION BANK? (a) Strongly agreed ( ) (b) Agreed ( ) (c) Neutral ( ) (d) Disagreed ( ) (e) Strongly disagree ( )
8. DOES THE BANK ENCOUNTER PROBLEM IN THE RECOVERY OF THESE LOAN? (a) Strongly Agreed ( ) (b) Agreed ( ) (c) Neutral ( ) (d) Disagreed ( ) (e) Strongly disagree ( )
9. DOES THE CENTRAL BANK INTERES RATE CELING POSE A PROBLEM TO UNION BANK IN GRANTING THESE LOAN? (a) Strongly agreed ( ) (b) Agreed ( ) (c) Neutral ( ) (d) Disagreed ( ) (e) Strongly disagree ( )

10. DOES IMPROPER PROJECT EVALUATION HAVE SIGNIFICANT  
RELATIONSHIP WITH BAD DEBT IN UNION BANK FROM THE PERIOD? (a)  
Strongly agreed ( ) (b) Agreed ( ) (c) Neutral ( ) (d) Disagreed ( )